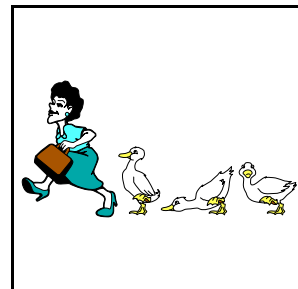


SECTION K

SINGLE AUDIT

CDBG funds are federal funds and are subject to the requirements of OMB Circular A-133, Audits of States; Local Governments and Non-profit Organizations. This circular establishes uniform requirements for audits of Federal financial assistance. This document is available on line at http://www.access.gpo.gov/su_docs/help/hints/fr.html or through the State CDBG staff. It establishes uniform requirements for audits of Federal financial assistance provided to states, local governments, and non-profit organizations and promotes the efficient and effective use of audit services.



1. Who Must Have A Single Audit?

a. Grantees with fiscal years ending **prior** to December 31, 2003 that expend **\$300,000.00** or more in total federal financial assistance (from all sources) in the recipient's fiscal year shall have a Single Audit completed. Grantees with fiscal years ending **after** December 31, 2003 that expend **\$500,000.00** or more in Federal financial assistance (CDBG funds plus all other federal funds) in the recipient's fiscal year must have a Single Audit completed. Determining the amount of federal funds expended shall be based on actual cash disbursed, not notice of an award, execution of a contract or receipt of funds.

b. Grantees with fiscal years ending **prior** to December 31, 2003 that expend **less than \$300,000.00** in federal assistance in the grantees' fiscal year are exempt from the single audit requirements. Grantees with fiscal years ending **after** December 31, 2003 that expend **less than \$500,000.00** in federal assistance in the grantees' fiscal year are exempt from the single audit requirements. However, the granting organization will conduct a fiscal review throughout the course of the project. Grantees that expend less than \$300,000.00 or \$500,000.00 in federal assistance (in their respective fiscal years per above) will also be required to submit a letter confirming that expenditures did not exceed the threshold and that no audit will be required.

2. What Is a Single Audit?

A Single Audit includes an audit of an entity's financial statements, additional tests of compliance with applicable laws and regulations, review of the schedule of federal financial awards and expenditures of said funds, reports on internal controls, findings and proposed corrective actions, and a letter from the independent auditor.

3. Reporting Requirements

OMB Circular A-133 requires the auditor to issue on behalf of the entity --

- A report on an examination of the general purpose or basic financial statements of the entity as a whole, or the department, agency, or establishment covered by the audit.
- A report on internal accounting control based solely on a study and evaluation made as a part of the audit of the general purpose of basic financial statements.
- A report on compliance with laws and regulations that may have material effect on the financial statements.

OMB Circular A-133 requires that the auditor include, for the entity's federal financial assistance programs-

- A report on a supplementary schedule of the entity's federal financial assistance programs, showing total expenditures for each federal financial assistance program.
- A report on internal controls (accounting and administrative) used in administering federal financial assistance programs.
- A report on compliance with laws and regulations identifying all findings of noncompliance and questioned costs.
- A report on fraud, abuse, or an illegal act, or indications of such acts, when discovered (a written report is required); normally, such reports are issued separately.

4. **Who Can Perform A Single Audit?**

An independent Certified Public Accountant must perform the single audit.

5. **When is the Audit Due?**

The audit is due to be completed and submitted to DCED within thirteen (13) months of the end of the recipient's fiscal year. NOTE: This is a change from previous requirements.

Please send a copy of the audit to:

Division of Community Development
Attn: David Fleischer
324 South State Street, Suite 500
Salt Lake City, UT 84111-7920

Confirmation letters should be sent to the same address.

6. **Who Pays for a Single Audit?**

The State prefers to have a grantee pay for its Single Audit out of general funds. The cost of a Single Audit is, however, an allowable charge to the CDBG grant IF THE RECIPIENT RECEIVED AND EXPENDED \$300,000.00 (for grantees with fiscal years ending prior to December 31, 2003) OR \$500,000.00 (for grantees with fiscal years ending after December 31, 2003) OR MORE IN FEDERAL ASSISTANCE WITHIN THEIR FISCAL YEAR AND ARE REQUIRED TO HAVE THE AUDIT COMPLETED. (If the recipient is not required to have a Single Audit completed, but merely elects to have one completed, federal funds may not be used to finance the cost of the audit.) The percentage of audit costs charged to the CDBG grant should not exceed the percentage of CDBG funds expended. In other words, if 25% of an organization's expenditures were CDBG expenditures, 25% of the cost of the audit may be charged to CDBG.

7. **Who Should You or your CPA Contact with Questions About Audits?**

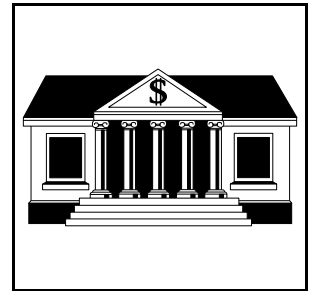
David Fleischer
DCD Internal Auditor
(801) 538-8673

8. Audit

a. Introduction

Audit follow-up is the action taken by the State CDBG staff in response to the single audit report received by a sub-grantee. It normally consists of three elements:

- (1) acceptance of the audit as to whether it meets the Single Audit Guidelines presented in the Audit Section of this handbook;
- (2) resolution, which is the decision to agree to the auditor's findings and recommendation, in whole or in part, and to act accordingly, or to reject the findings and recommendations; and
- (3) the action(s) that carry out the auditor's recommendation.



Audit follow-up is a logical extension of the audit function. Federal administering agencies have given the responsibility for proper resolution and follow-up of findings to the CDBG staff. The State Auditor's Office may also be involved in reviewing the Single Audit for form. This means that the State will maintain follow-up processes for audits performed at the sub-recipient levels.

b. Follow-up of Sub-Recipient Audits

For audits performed at the sub-recipient level, a DCED Accountant will review the audit reports for compliance with the Single Audit Act and to identify questioned costs and other audit findings and recommendations, and decide whether to sustain the findings. In instances where the State sustains the questioned costs, the State will account for them as a receivable and pursue recovery, or take other appropriate follow-up action. In other instances, the State will review the audit report with the audited sub-recipient and/or the auditor and decide not to sustain the costs. In either instance, the resolution should be within a reasonable time, which has been established to be within 6 months from receipt of the audit.

c. Resolving Findings and Grant Close-out

An unresolved audit finding may result in one or more of the following sanctions: a withholding of the questioned cost (or repayment of the questioned cost), suspension of current CDBG awards, terminations of current CDBG awards or denial of future CDBG awards. Likewise, these sanctions may be imposed if the Single Audit is not completed as required.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY